Ferona

2016 CORPORATE ANNUAL REPORT

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INTRODUCTORY WORD BY THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Business Partners,
Ladies and Gentlemen, Dear Friends

In order to review the last 12 months, we need to look at what the main factors were that influenced the markets as well as the prices which then lead to the market instability and great oscillations in price indications.

At the time when other world Markets were progressively closing their doors, it was obvious that the 600million of worldwide overcapacity, were trying to find their markets.

Most of all China, with its big share in steel overcapacity, is flooding the markets with steel exports. In less than 4years Chinese exports doubled from 52million tons (in 2012) to 110million tons (in 2015). Those exports that flooded open EU steel markets had destabilised its industrial and commercial foundations. One of the key characteristics of today's world steel markets is a quasi-endemic spreading of steel protectionism.

In the EU, steel markets are zero% tariff, non-tariff barriers are non-existent, strict EU rules ban state aids or subsidies.EU markets can be freely accessed.

However, after a period of huge imports, which depressed the steel prices in an early 2016, EU as well as Eastern European markets are now protected by "huge firewalls" constituted by EU import duties, discriminating national standards which of course have driven the prices the other way.
Comparing with this bleak background of international steel trade, the European steel market has remained an open market island on an otherwise rough sea of steel protectionism.

With EU home markets unfairly pressured by imports and export market closing more and more due to rising steel protectionism, what is being created is further uncertainty for the customers as well as the distributors, with a further price oscillation period looming, uncertainty is on the horizon.

However, steel imports are not the only challenge facing our territorial steel industry. Steel as a material is under stress by other competing materials like Aluminium, Carbon Fibres and even Wood.

However, Digitalisation and the internet of things opened new horizons to EU steel.

EU – CE steel distribution is the intelligent matchmaker between steel producers and steel end users.

Greater emphasis must be put on value added products, increased efficiency and great and improving customer service.

No doubt that everyone will agree with me that in a market with almost zero volume growth, with an overcapacity, the only chance to achieve better value metrics is value driven pricing based on the knowledge about the value products and services provided by steel distribution and what benefits it will bring to the customer.

I have every confidence in the professional and very experienced Board of Directors who will no doubt be able to implement the relevant systems and practises in order to cope not only with current status quo but also prepared and ready whenever improved market conditions occur. I trust in the intelligence of the Unions as well as the fellow workers whom they represent to join in those efforts in order to make Ferona a.s. an even stronger player in the steel markets of E&Central Europe.

I also wish to use this opportunity to express my great appreciation of cooperation of our steel business partners as well as to our Financial Partners, thank you all for your trust and support for Ferona.a.s. – the leading East & and Central European Steel Distributor.

Last but certainly not least, great thank you to Ferona a.s managers and all the company employees who are continuously and with great dedication contributing to the efforts to keep Ferona a.s. at the forefront of our steel business.
In this respect, I wish you all a great year ahead, keep healthy and strive to prosperity.

Robert Kay
Chairman

FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ladies and Gentlemen,
Dear Business Partners,

2016 was the year when the commodities, largely in the price depression in the previous years, returned to the market. As regards the steel specifically, on one hand, it was the result of the continuing economic growth in the majority of the markets, on the other, it resulted from the administrative interventions in the market mechanisms, namely in the EU.

The anti-dumping measures of the EC on the steel imports predominantly from China followed by several other East European countries imposed in the first months of the year had a suprisingly dramatic impact on the prices and demand and both sharply increased. This practical test proved to what extent were these sources of material adopted by certain user segments (e.g. service centres) as main supply source, often in contradiction to their publicly declared policies. When the imposed measures complicated entry of these materials on the market and the traders minimalized their deliveries, the market returned to the traditional distribution channels . The competition among the users to secure the now limited physical supply of inputs had the logical consequence – price increases. The situation of the spring 2016 repeated itself, rather suprisingly, in the end of the year.

This caused an understandable criticism on the part of the industrial user segments and pressures to reduce/remove the imposed anti-dumping measures are to be expected. Nevertheless, leaving aside the speed of their increase in the spring, the absolute level of the prices is by no means excessive, the prices having returned to the levels prevailing in the market prior to the dramatic price colapse in the end of 2015. One can , nevertheless, expect that all market players will seek new ways how to optimize their steel procurement in the new market situation.

The increase of the market activity provided Ferona with the opportunities to benefit from our strengths, namely the complete range of our product offering, wide network of our warehouses and reliability and speed of our delivery. Thanks to the readiness of the management structures in purchasing and sales, finance and logistics, we were able to perform in the dramatic circumstances of the market and meet the expectations of our business partners. All projects aiming at improving the risk management in all areas of our business and , consequently, at enhancing the ability of the company to withstand the market turbulances, continued intensively also in 2016. These projects contributed to further improvement of all key indicators of the trading and financial performance of the company.

In this respect, allow me to thank all our employees and managers for their efforts in working for Ferona in the past year. The continuing economic boom in the Czech market has had a marked influence on the labour market with a logical consequence – increased pressure on wage increases. In Ferona, we managed to deal with this pressure and found a consensus to balance the interests of the employees and of the employer.

Also, allow me to express my thanks to our financial partners – banks, factors and insurance companies – for their continuing support thanks to which we may continue to hold the position of the leading independent steel distributor in Central and Easter Europe. Last but not least, I would like to thank all our business partners for their business in the lively year 2016. I assure you that, in your business, you can count on the continuing support of Ferona.

Ladies and Gentlemen, allow me in closing to wish all of you good health and all success in the business as well as in the private life. I am convinced that our business relationships shall continue to develop and flourish.

Ing. František Kopřiva
Chairman of the Board of Directors and CEO

1. COMPANY IDENTIFICATION

Business name: **Ferona a.s.**
Identification number: **26 44 01 81**
Registered office: **Havlíčkova čp. 1043/11 111 82 Prague 1**
The Company is registered in the Commercial Register maintained by the Municipal Court in Prague, Part B, Entry 7143.
Date of establishment: **21 March 2001**
Website: **www.ferona.cz**

Originally, the Company was established as Rekulus, a.s., by a group of majority shareholders of the then Ferona, a.s. (Company ID 25 79 20 75), acting in concert.

As at the relevant date, 1 April 2001, the Company, acting in the capacity of the main shareholder pursuant to Section 220p of the Commercial Code, took over Ferona, a.s. (Company ID no. 25 79 20 75), under a take-over agreement approved by the General Meetings of both companies on 27 June 2001. The registration of the take-over into the Commercial Register entered into legal force and effect on 29 August 2001. Under the Merger Agreement, the Company, being the successor company, assumed the capital of STEEL INVESTMENTS GROUP, a.s., the ceasing parent company, as at the relevant date, 1 January 2005.

Registered capital: **CZK 3,000,000,000**

2. BASIC CHARACTERISTICS OF THE COMPANY

Currently, Ferona builds upon the activities of its legal predecessors involved in distribution of metallurgical products, within the temporal context of the history of the then Czechoslovakia after 1945 under various names and in various organisational forms. It is, therefore, building upon entrepreneurship tradition stretching back to 1829 on the territory of the Czech Republic.

As a joint-stock company, Ferona was formed in 1992 upon transformation of the state-owned enterprise of the same name. Within the privatisation process, from 1992 to 1994, its ownership passed from the hands of the state fully into private hands. In 2001, the majority shareholder took over the capital of Ferona a.s.; it continued in its business activities. In 2004, STEEL INVESTMENTS GROUP, a.s., became the owner of the Company; it ceased to exist on the relevant date, 1 January 2005, upon merger with Ferona, a.s. and IRG Steel Limited, London, owner of STEEL INVESTMENTS GROUP, a.s., the ceasing company, became the entity controlling Ferona, a.s.

The core **object of the Company's business** is warehouse wholesale, specialised in purchasing, storing, modification and sale of metallurgical products, metallurgical derived products, nonferrous metals and associated iron and steel product portfolio. Ferona's business activities focus mainly on the domestic market. The group of customers includes, predominantly, thousands of chiefly medium and small industrial, construction, agricultural and commercial companies and traders for which it is not efficient to purchase directly from producers. In its sales units – wholesale warehouses as well as retail outlets – Ferona is able to attend to the widest spectrum of customers, ranging from large industrial companies to small clients.

Organisational structure of Ferona, a.s., the joint-stock company, includes nine territorial branches, Steel service centres for longitudinal and cross cutting of cold and hot rolled steel rolls and production of welded pipes and sections and the Company's headquarters.

Customers are invited to contact any of the above locations with their queries or purchase orders.

3. BOARD OF DIRECTORS, SUPERVISORY BOARD AND DIRECTORS

The Company's Board of Directors, Supervisory Board and directors are indicated as applicable as at 31 December 2016.

BOARD OF DIRECTORS
Ing. František Kopřiva, Chairman of the Board of Directors, graduated from the University of Economics, born in 1951, member of the statutory body since 23 November 2010
Ing. Miroslav Vaníček, Vice-Chairman of the Board of Directors, born in 1961, graduated from the University of Economics, member of the statutory body since 1 January 2005
Ing. Milan Rada, born in 1963, graduated from the University of Economics, member of the statutory body since 1 January 2005
Ing. Jan Moravec, born in 1974, graduated from the Czech Technical University, member of the statutory body since 1 February 2012
Mgr. Tomáš Balko, born in 1976, graduated from the Faculty of Arts at a university, member of the statutory body since 1 January 2013

SUPERVISORY BOARD
Robert Kay, Chairman of the Supervisory Board, born in 1949, Member of the Supervisory Board since 1 January 2005
Ing. Jiří Hypš, Vice-Chairman of the Supervisory Board, born in 1943, graduated from the University of Agriculture – Operations and Management Faculty, Member of the Supervisory Board since 1 January 2005

COMPANY'S DIRECTORS
Ing. František Kopřiva, CEO, born in 1951, graduated from the University of Economics, employed with the Company since 2012
Mgr. Tomáš Balko, Commercial Director, born in 1976, graduated from the Faculty of Arts at a university, member of the statutory body since 1 January 2013, in Ferona Slovakia since 2005.
Ing. Jan Moravec, Corporate Audit Manager, born in 1974, graduated from the Czech Technical University, employed with the Company since 2011
Ing. Pavel Horák, Logistics Director, born in 1962, graduated from the Czech Technical University, employed with the Company since 1986
Ing. Tomáš Krejčí, Purchasing Director, born in 1968, graduated from the University of Economics, employed with the Company since 2007
Ing. Milan Rada, IT and HR Director, born in 1963, graduated from the University of Economics, employed with the Company since 1992
Ing. Miroslav Vaníček, Financial Director, born in 1961, graduated from the University of Economics, employed with the Company since 1985
Doc. Ing. Ivo Juřička, CSc., SSC Director, born in 1963, graduated from the Faculty of Metallurgy and Material Engineering of the Mining University, employed with the Company since 2003.

4. KEY INDICATORS FOR THE PAST THREE YEARS

The Company follows fully upon the activities of its legal predecessor that was established as a joint-stock company in 1992..

Year	2014	2015	2016
Tangible products sold (in thousands of tonnes)	750	743	729
Revenues from products sold (in CZK million)	13 823	13 069	11 328
Profit and/or loss (in CZK million)	153	139	119
Inventories (in CZK million)	2 963	2 634	2 603
Short-term receivables (in CZK million)	2 581	1 940	1 807
Short-term payables (in CZK million)	1 725	951	1 697
Bank loans (in CZK million)	3 094	2 766	1 627
Number of employees (individuals)	992	998	968

5. BUSINESS ACTIVITIES

Ferona a.s. ranks among the leading companies in inventory sale of metallurgical products, derived products, nonferrous metals and associated ironmongers' product portfolio in the Czech Republic. Its market shares vary by individual products but, on average, they range, in the long run, around 15 to 20% of deliveries for domestic consumption. The results of the Company's trade in 2016 can be assessed as preserving its market position.

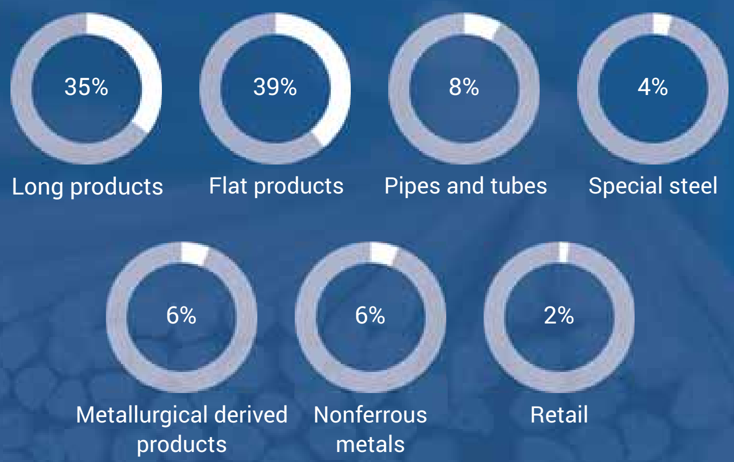
The Company sold 728,800 **tonnes of merchandise** to its customers, a drop of 14,600 tonnes compared to 2015, i.e. 2%; it is by 43,118 tonnes less than 2014, i.e. a 5.6% decrease on 2014.

The revenues from the goods sold reached CZK 11,327,760,000, representing a drop of CZK 1,741,614,000 compared to 2015. Compared to 2014, the revenues are by CZK 2,494,841,000 lower, i.e. by 18%. Changes in the values were caused by certain instability of price levels of the goods sold (see below) and changes in the structure of commodities sold.

In the first quarter of 2016, the price trend which started at the end of 2015 continued until a relatively sharp increase in spot prices of individual commodities took over in the second quarter. Unfortunately, the conditions were not sufficient for stabilization of strike prices at these higher price levels and a very cautious purchasing policy was generally adopted by customers in the third quarter; after the middle of the fourth quarter, spot prices of commodities again experienced a significant growth. This lead to lower sales of tangible products and lower revenues. Thanks to a balanced inventory, the Company managed to copy the price curves described above, which significantly contributed to generation of trade margin and adoption of a good starting position for the next period. Continued stringent credit policy allowed for further reduction of overdue receivables and a possibility of further decrease of borrowed money.

Structure of sales by product groups was the following in 2016

Long products	35%
Flat products	39%
Pipes and tubes	8%
Special steel	4%
Metallurgical derived products	6%
Nonferrous metals	6%
Retail	2 %



The Company buys products it sells on a stable basis both from domestic producers – the leading suppliers being ArcelorMittal Ostrava, Moravia Steel, Valsabbia, ESAB – and from foreign companies, predominantly in Slovakia (U.S. Steel Košice, Železárny Podbrezová) and in Poland (Mittal Poland, CMC Zawiercie, Celsa), Germany (Ekostahl, Salzgitter, etc.) as well as in other countries (Stahlwerk, Duferco, Buntmetall, Marcegaglia, etc.). There is constant adjustment of the spectrum of suppliers to specific market conditions. Adjustment of commercial policy to Ferona group's interests plays a major role in changing these conditions.

6. COMMENTS ON THE PROFIT AND LOSS STATEMENT

The business margin in 2016 amounted to CZK 1,312,907,000, which is by CZK 171,943,000 more than in 2015 and by CZK 96,035,000 more than in 2014. A similar change that occurred in 2015 is described in the notes to the financial statements. After a cautious start of the year, spot prices rose sharply in the second quarter of 2016, increasing the impact of the inventory on the creation of business margin; despite the fact that customers employed a cautious purchasing policy in the third quarter of the year, maintenance of low inventory levels and copying of price curves continued contributing to the creation of business margin for the rest of the year. Sharp rise in spot prices of individual commodities at the end of the year created favourable conditions for the start of the new year. Revenues from services comprising division and modification of materials such as burning of thick sheets according to the requirements of customers and services provided to subsidiaries amounted to CZK 188,538,000 and increased, compared to 2015, by CZK 15,497,000, in particular in transport fares. All other revenues from services remained at levels comparable to the previous year.

The costs of purchased consumables and energies accounted for CZK 2,428,786,000, of which consumption of material for production in the Steel Service Centres reached CZK 2,293,770,000, corresponding to 94.4%. In purchased services, the largest amount comprised the costs of contractual transport fees (45%), repairs and maintenance (16%), security guard (6%), professional services (6%), waste disposal (3.5%), advertisement and promotion (4.5%) and advisory services (3%). The Company continued adjusting actual costs of production consumption without material consumption for production to the revenues generated, which lead to a decrease by CZK 5,395,000 on the previous year thanks to lower transport expenses, which, however, accounted for a real increase of the production consumption by CZK 5,383,000 mainly due to higher consumption of packaging material as a result of an increased physical volume of production; on the other hand, consumption of material for production decreased by CZK 114,702,000 on the previous year thanks to favourable prices.

Added value in 2016 amounted to CZK 1,185,472,000 and experienced year-on-year increase of CZK 195,831,000 as compared to 2015 and, an increase of CZK 126,333,000 as compared to 2014. Total personnel costs reached CZK 569,997,000, which is by 2% more than in 2015. Depreciation of long-term intangible and tangible assets of CZK 189,816,000 experienced a year-on-year increase by 2.7%.

Operating profit and/or loss: The Company made a profit of CZK 225,849,000; this is an increase of CZK 5,587,000 on previous year and a real increase by CZK 9,215,000 on 2014 due to the sale of properties with a profit of CZK 39,485,000. The Company created provisions the impact of which on the profit and/or loss totalled CZK 10,681,000 from receivables and created an allowance to reduce inventory in the amount of CZK 159,675,000.

Interest paid on operating loans reached CZK 35,125,000; although they dropped by CZK 32,403,000 on a year-on-year comparison, they still remain the highest cost item in ordinary profit and/or loss from financial activities. Interest received consists, in particular, of interest received within the Group. Other financial costs such as bank fees and exchange rate loss, accounted for CZK 56,217,000. Other financial income, consisting mainly of exchange rate profit, amounted to CZK 18,457,000. The balance of exchange rate differences is a cost in the amount of CZK 6,164,000, mainly due to conversion of balance sheet items in the financial statements.

In 2016, the Company did not post any transaction affecting the e**xtraordinary profit and/or loss**. Profit for 2016 **before tax** amounted to CZK 193,537,000.

Profit and/or loss for the accounting period: The Company made a profit of CZK 118,534,000 – in addition to business margin and an increase in revenues for services, it was significantly created by reduction of interest paid and posting of provisions to receivables. Creation of an allowance to reduce inventory to cover future risks (volatility of commodity prices and EUR exchange rate by the Czech National Bank) had a negative impact on the profit and/or loss.

7. COMMENTS ON THE BALANCE SHEET

The Company's **total assets** as at 31 December 2016, as opposed to the preceding period, slightly decreased and corresponded to the book value of CZK 7,728,451,000. This development was caused predominantly by investment activity in long-term assets, which did not even match the depreciation of long-term assets.

Long-term assets, accounting for 38.8% of the value of the assets, reached CZK 2,998,888,000. Its structure was as follows (value in CZK thousands and % share of long-term assets):

	CZK thousands	%
Long-term intangible assets	5 794	0,2
Long-term tangible assets	2 0320333	67,8
Long-term intangible assets	960 761	32

The largest part of **long-term tangible assets** consists of buildings in the value of CZK 1,081,437,000 (53.2% of the total value of long-term tangible assets), movable items of CZK 441,121,000 in value (21.7% of the total) and land of CZK 487,462,000 in value (24% of the total).

The value of **long-term financial assets** of CZK 960,761,000 incorporates the owned shares of Ferona, a.s., in equity of subsidiaries. For foreign financial investment, equities were converted according to the CNB exchange rate of CZK to each currency in force as at 31 December 2016 as at the balance sheet date. Depreciation of long-term financial assets was caused mainly by creating a provision for receivables in Ferona Slovakia, distribution of dividends from Pragmet, a.s.

Current assets account for 61% of total assets and, in the course of the year, they went down by CZK 177,931,000 to CZK 4,716,785,000, particularly due to a decrease of short-term receivables from loans to subsidiaries.

The largest part of the total inventory comprises **inventories of commercial merchandise** which dropped by CZK 62,491,000 on the opening balance of the year and reached CZK 2,018,206,000. Immediate turnaround of inventories of merchandise counted from the value of merchandise sold at the acquisition price was 74 days at the end of the year, which corresponds to a 4-day drop on the previous year. Increase of material inventories by CZK 132,862,000 compared to the beginning of the period could be mainly attributed to forward buying for the purposes of project transactions in the forthcoming period.

The Company has **long-term receivables** on account of advance payments, in particular for security deposits for leases and mobile telephone activation.

The largest part of short-term receivables consists of **trade receivables**, which remained at a level comparable to the previous year, its net amount reaching CZK 1,383,997,000; however, overdue receivables significantly dropped. Provisions were created for all receivables overdue for more than 60 days. Provisions for other receivables are created on the basis of risk assessment as at the balance sheet date. Immediate turnaround of short-term trade receivables was 44 days at the end of the year, which is a 6-day year-on-year increase with regard to the year-on-year turnaround drop which was mainly due to price fluctuations. Estimated assets comprise mainly bonuses for purchase of merchandise paid that had not been invoiced upon the balance sheet date.

By the end of the year, **short-term financial assets** amounted to CZK 301,463,000, which constitutes an amount similar to that at the beginning of the year.

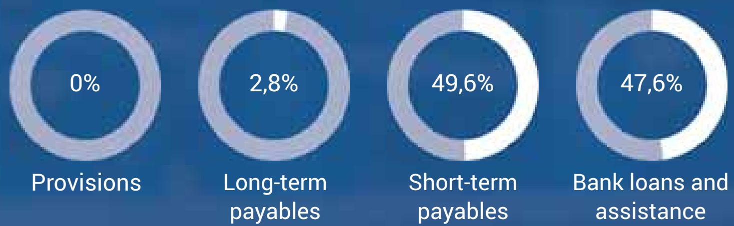
Accruals are valued at CZK 12,778,000, representing 0.2% of total assets.

Registered capital is valued at CZK 3,000,000,000 and is divided into 300 shares, having the nominal value of CZK 10,000,000 each. Changes are described in the notes to the financial statements. In 2016, the Company did not acquire its own shares.

The Company's **equity** totalled CZK 4,296,491,000 as at 31 December 2015, covering 55.6% of the total book value of liabilities.

At the end of 2016, **borrowings** represented CZK 3,421,276,000 and had the following structure:

	CZK thousands	%
Provisions	0	0,0
Long-term payables	96 858	2,8
Short-term payables	1 697 596	49,6
Bank loans and assistance	1 625 822	47,6



The highest part of **long-term payables** is constituted by a deferred tax liability of CZK 96,750,000, whose year-on-year change is due to a different structure of items included in accounts.

Among short-term payables, **trade payables** have the most prominent position; by the end of the year, they amounted to CZK 1,198,582,000 and, except for invoices retained due to complaints and payables ready for set-off, they were within their maturity period. The significant year-on-year increase of CZK 542,185,000 was caused, in particular, by purchases of merchandise for future project transactions made at the end of the year due to expected increase in prices. As a result of collective holiday, it was impossible to enter all incoming invoices into the balance accounts and, due to that, these transactions were entered as estimated liabilities like in the preceding year. The Company made no delayed payments of its liabilities in 2016.

At the year-end, **bank accounts** without factoring amounted to CZK 1,624,280,000. The Company drew a short-term operating loan to finance its current assets as at financial statements date. The significant year-on-year drop was caused by a significant increase of trade liabilities and further reduction of overdue receivables. Liabilities from regression factoring amounted to CZK 2,542,000 only.

Accruals amounted to CZK 10,684,000 at year-end; accruals in respect of transport fares, interest and fees from bank loans accounted for the largest value.

8. FINANCIAL STANDING OF THE COMPANY

The results shown in the financial statements imply that the Company's financial standing is stabilised. By the end of 2016, the value of short-term receivables was larger than the value of short-term liabilities/payables (except financial liabilities) by CZK 114,783,000 and the Company was not insolvent.

The overall indebtedness of the Company is maintained at acceptable level and the Company is not in delay with the payment of any of its liabilities. In 2016, the Company increased its credit with banking institutions and, along with its subsidiary, Ferona Slovakia, a.s., renewed its financing without any problems for the next period. The share of borrowings and other liabilities in covering the overall assets of the Company as at 31 December 2016 was at 44.4%.

At the end of 2016, the proportion of bank loans and assistance and overall revenues dropped significantly to 14.1% on the previous year.

9. INCORPORATION OF THE COMPANY INTO THE CONSOLIDATION GROUP

Ferona a.s. je mateřským podnikem ve skupině, do které k 31. prosinci 2016 patřily tyto ovládané osoby a účetní jednotky pod podstatným vlivem a jimi ovládané osoby:

FERONA Slovakia, a.s.

Sídlo a IČ	Bytčická 12, Žilina, Slovensko	IČ 36401137
Registered office and company ID	Bytčická 12, Žilina, Slovakia	Company ID 36401137
Other establishments	Nitra, Košice	
Activity	Metallurgical product wholesale	
Equity		EUR 11,950,000
2016 profit and/or loss – loss		EUR 454,000
Ferona, a.s. share in registered capital		100%
Book value of Ferona, a.s. share (net)		CZK 322,898,000

FERONA – Servis Centrum Slovakia, a.s.

Registered office and company ID	Prístavná 12, Bratislava, Slovakia	Company ID 44066716
Other establishments	None	
Activity	Cutting steel strips	
Equity		EUR 8,097,000
2016 profit and/or loss – profit		EUR 64,000
Ferona, a.s. share in registered capital		100%
Book value of the share of Ferona, a.s. (net)		CZK 218,791,000

FERONA POLSKA, S.A.

Registered office and company ID	Mikolowska 31, Myslowice, Poland	Company ID 240569429
Other establishments	Wroclaw, Kielce	
Activity	Metallurgical product wholesale	
Equity		PLN 8,442,000
2016 profit and/or loss – profit		PLN 4,536,000
Ferona, a.s. share in registered capital		100%
Book value of Ferona, a.s. share (net)		CZK 51,717,000

FERONA THYSSEN PLASTICS, s.r.o.

Registered office and company ID	ul. ČSA 730, Velká Bystřice	Company ID 25354418
Other establishments	FTP Slovakia, s.r.o., Bratislava, Slovakia *)	
Activity	Technical plastics wholesale	
Equity		CZK 91,472,000
2016 profit and/or loss – profit		CZK 7,417,000
Ferona, a.s. share in registered capital		50%
Book value of Ferona, a.s. share (net)		CZK 45,736,000

*) FTP Slovakia, s.r.o., Bratislav

a) Registered office and company ID: Púchovská 14, Bratislava, Slovakia Company ID 35861134

b) Other establishments	None	
c) Activity	Technical plastics wholesale	
d) Equity		EUR 399,000
e) 2015 profit and/or loss – profit		EUR 13,000
f) Share of FERONA THYSSEN PLASTICS, in registered capital		100%
g) Book value of the share of FERONA THYSSEN PLASTICS		CZK 3,588,000

PRAGMET, a.s.

Registered office and company ID	Havlíčkova 1043/11, Prague 1	Company ID 25789449
Other establishments	Benátky nad Jizerou	
Activity	Cutting of flat products for automotive	
Equity		CZK 135,625,000
2016 profit and/or loss – profit		CZK 9,181,000
Ferona, a.s. share in registered capital		70%
Book value of Ferona, a.s. share (net)		CZK 94,937,000

Ferona Holešovice, a. s.

Registered office and company ID	Havlíčkova 1043/11, Prague 1	Company ID 29134722
Other establishments	U Pergamenky 11, Prague 7	
Activity	Facility management	
Equity		CZK 226,682,000
2016 profit and/or loss – profit		CZK 2,701,000
Ferona, a.s. share in registered capital		100%
Book value of Ferona, a.s. share (net)		CZK 226,682,000

10. RESULTS OF THE CONSOLIDATION GROUP

The revenues from the goods sold that the companies in the consolidation group in 2016 amounted to CZK 13,782,785,000, which is by 14.4% less than in the previous year. Added value, however, amounted to CZK 1,529,021,000 and, compared to the preceding year, it increased by 18.3%. Consolidated operating profit as at 31 December 2016 was a profit of CZK 429,898,000.

Consolidated profit and/or loss (excl. minority profit shares and/or loss and including share in profit of equivalent companies) was a profit of CZK 234,608,000.

The value of **assets** of the consolidation group at the end of 2016 amounted to CZK 9,566,809,000 and the value of **equity** reached CZK 4,298,357,000.

11. EVENTS AFTER THE BALANCE SHEET DATE AND OUTLOOK FOR 2017

Events after the balance sheet date: After the date of closing the books, no significant changes occurred that would affect the published results.

The key objectives of the Company are set out in the Quality Policy employed by the Company on a long-term basis. Compliance with the Quality Policy is checked annually by an authorized company.

The Quality Policy which meets the EN ISO 9001 : 2008 standard defines the following objectives:

- Maintain the planned physical volume of sales through all branches and in all commodities for the whole year despite unstable market price development
- Increase the share of the Company in target markets
- Increase efficiency of business activities
- Focus on optimizing the product portfolio and improvement of services
- Develop the Company's financial strength (increase its financial stability)
- Develop the Company's internal potential
- Focus SSC on meeting specific customers' requirements in the automotive industry

The above objectives have been shaped into specific groups of measures:

- Efficient distribution of products on sale in branches according to sales
- Better employment of cutting capacity in service centres
- Increased efficiency of inventory management and utilization of suppliers' consignment warehouses
- New model of central service management under the direction of service centre manager
- Efficient transport of merchandise to customers
- Consolidation of newly implemented processes and their improvement
- Application of gained experience in all companies in the Ferona group
- Efforts to further increase the share of physical volume of sales particularly in Poland

Further information: In 2016, the Company did not allocate any funds to research and development; it does not carry out any significant activities in environmental protection. It does not have any organizational units abroad.

Financial plan for 2017: Ferona, a.s., anticipates reaching revenues from goods sold in the amount of CZK 12,078 million and the target profit before taxes is CZK 170 million.

Investment plan for 2017: Target investment expenditures are CZK 171.9 million. Investments should mainly focus on maintenance to modernize cranes and transport machinery, build a new cutting line and restore and modernize the existing equipment in cutting centres.

12. MAJOR PROJECTS

Reinforcing steel supply to the company STAV-TECH-CAR

D8 highway, construction No. 0805 Lovosice - Řehlovice, part A – highway line A 215 – highway bridge over road No. III/258 29 ŽIM - Řehlovice

Sheet metal supply to the company Firesta-Fišer

Bridge for the town of Měřín

Supply of sheets of P355GH quality for the company Kasper Kovo s.r.o.

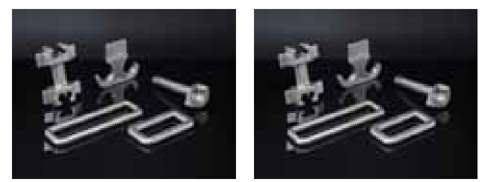
Pressure tanks

Reinforcing steel supply to the company FERI, s.r.o. Hradec Králové.

AUPARK Hradec Králové

Supply of sheet metal for construction engineering Ammann Czech Republic

Reinforcing steel supply to the company H.A.N.S. stavby a.s.



MSV Metal Studénka, forged and moulded pieces not only for new constructions of carriages and undercarriages; substantial part of production is used for repairs and reconstructions of vehicles. Source: www.msvmetal.eu

13. INVESTMENTS

In 2016, investment activities in tangible and intangible assets focused on necessary renovation investments. **Long-term tangible and intangible assets** of CZK 105,183,000 were acquired, out of which CZK 54,970,000 were investments in machinery and equipment, in particular in cranes and other handling machinery. CZK 34,574,000 were used for renovation of transport machinery. Investments in construction amounted to CZK 10,599,000. CZK 4,783,000 were used for purchases of intangible assets. Advanced payments for purchases of assets amounted to CZK 19,165,000.

14. QUALITY MANAGEMENT SYSTEM

QMS according to the requirements of EN ISO 9001:2008

In order to ensure that the delivered commercial goods and the provided services are of premium quality, Ferona, a.s. has implemented and certified a quality management system according to the EN ISO 9001:2008 standard. This system is defined across the company for the following activities: purchases, storage, modification, sale and transport of metallurgical material, derived products, nonferrous metals and associated iron and steel wholesale product portfolio.

ISO 9001:2008 certification for the whole company

TÜV NORD

CERTIFIKÁT

pro systém managementu dle
EN ISO 9001 : 2008

Ferona, a.s.
Havlíčkova 1043/11
111 82 Praha 1
Česká republika

Nákup, skladování, úprava, prodej a doprava hutního materiálu, druhovýrobků, neželezných kovů a navazujícího železářského sortimentu ve velkoobchodě.

TÜV NORD CERT GmbH

IAF DAkkS

QUALITY MANAGEMENT SYSTEM

QMS according to the requirements of ISO/TS 16949:2009 SSC Hradec Králové

In the Steel Service Centre, the quality management system is defined as follows:
- Longitudinal and cross cutting of steel rolls – Hradec Králové and Ostrava
- Testing of properties of metal materials – Hradec Králové
- Production of welded hollow round, square and rectangular cross sections from structural, non-alloy steels - Ostrava

ISO 9001:2008 Certification – SSC


CERTIFIKÁT

pro systém managementu dle
EN ISO 9001 : 2008

Ferona, a.s.
Steel Servis Centrum
Vážní 847
501 12 Hradec Králové
Česká republika

Podélné a příčné dělení ocelových svitků. Zkoušení vlastností kovových materiálů. Výroba svařovaných dutých profilů kruhového, čtvercového a obdélníkového průřezu z konstrukčních nelegovaných ocelí.

Since 2007, Ferona, a.s., Steel Service Centre Hradec Králové, has implemented and certified a quality management system for automotive industry according to ISO/TS 16949:2009 for longitudinal and cross cutting of steel rolls.

ISO/TS 16949:2009 Certification – SSC HK


CERTIFIKÁT

pro systém managementu jakosti dle
ISO/TS 16949:2009

Ferona, a.s.
Steel Servis Centrum
Vážní 847
501 12 Hradec Králové
Česká republika

Podélné a příčné dělení ocelových svitků

15. HUMAN RESOURCES AND STAFF DEVELOPMENT

By the end of 2016, the Company had 968 employees on average, which is by 30 employees less than in 2015 and by 24 employees less than in 2014. Efforts to make management and service activities more effective continued in 2016.

Average gross monthly salary in 2016 (excluding managerial positions) amounted to CZK 27,020, which is by CZK 773 more than in 2015 and by CZK 1,123 more than in 2014.

Personnel expenses in 2016 amounted to CZK 428,771,000, increasing by CZK 6,101,000 on 2015 and by 4.1% on 2014. Statutory social security and health insurance costs totalled CZK 130,872,000 and social security cost corresponded to CZK 10,354 of the social security budget, remaining at a comparable level with 2015.

16. DOCUMENTS

- Full scope of BALANCE SHEET as at 31 December 2016 (in whole CZK thousands)
- Full scope of PROFIT AND LOSS STATEMENT as at 31 December 2016 (in whole CZK thousands)
- CONSOLIDATED BALANCE SHEET
  Minimum required scope of a consolidated report (in whole CZK thousands)
- CONSOLIDATED PROFIT AND LOSS STATEMENT
  Minimum required scope of a consolidated report (in whole CZK thousands)
- INDEPENDENT AUDITOR'S REPORT about audit of the Company's consolidated financial statements

Full scope BALANCE SHEET as at 31. 12. 2016

(in whole CZK thousands)

Identif.	ASSETS	Line	Current accounting period			Past acc. period
			Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
	ASSETS TOTAL (lines 2+3+37+74) = line 78	1	11 352 312	-3 623 861	7 728 451	7 995 403
B.	Fixed assets (lines 4+14+27)	3	5 814 886	-2 815 998	2 998 888	3 084 293
B.I.	Intangible fixed assets (lines 5+6+9 to 11)	4	88 983	-83 189	5 794	4 462
B.I.2.	Trademarks and tradenames (lines 7+8)	6	86 854	-83 189	3 665	2 118
2.1.	Software	7	86 854	-83 189	3 665	2 118
B.I.5.	Down payments on intangible fixed assets and intangible assets under development (lines 12+13)	11	2 129	0	2 129	2 344
5.1.	Down payments on intangible fixed assets	12	0	0	0	1 521
5.2.	Intangible assets under development	13	2 129	0	2 129	823
B.II.	Tangible fixed assets (lines 5+18+19+20+24)	14	4 765 142	-2 732 809	2 032 333	2 113 143
B.II.1.	Land and structures (lines 16+17)	15	3 006 453	-1 437 554	1 568 899	1 659 465
1.1.	Land	16	487 462	0	487 462	501 772
1.2.	Structures	17	2 518 991	-1 437 554	1 081 437	1 157 693
B.II.2.	Tangible movables and their sets	18	1 736 376	-1 295 255	441 121	445 382
B.II.4.	Other tangible fixed assets (lines 21 to 23)	20	314	0	314	314
4.3.	Sundry tangible fixed assets	23	314	0	314	314
B.II.5.	Down payments on tangible fixed assets and tangible fixed assets under construction (lines 25+26)	24	21 999	0	21 999	7 982
5.1.	Down payments on tangible fixed assets	25	19 165	0	19 165	633
5.2.	Tangible fixed assets under construction	26	2 834	0	2 834	7 349
B.III.	Long-term financial assets (line 28 to 34)	27	960 761	0	960 761	966 688
B.III.1.	Ownership interest in controlled or managed parties	28	915 025	0	915 025	924 660
B.III.3 .	Ownership interest – substantial influence	30	45 736	0	45 736	42 028
C.	Current assets (lines 38+46+68+71)	37	5 524 648	-807 863	4 716 785	4 894 716
C.I.	Inventory (line 39 to 41+44+45)	38	2 792 040	-189 097	2 602 943	2 633 586
C.I.1.	Material	39	570 413	0	570 413	437 551
C.I.2.	Production in progress and semi-finished products	40	4 452	0	4 452	2 940
C.I.3.	Products and merchandise (lines 42+43)	41	2 207 303	-189 097	2 018 206	2 080 697
3.2.	Merchandise	43	2 207 303	-189 097	2 018 206	2 080 697
C.I.5 .	Advances for inventory paid	45	9 872	0	9 872	112 398
C.II.	Receivables (lines 47+57)	46	2 431 145	-618 766	1 812 379	1 943 298
C.II.1.	Long-term receivables (line 48 to 52)	47	5 503	0	5 503	3 487
1.5.	Other receivables (line 53 to 56)	52	5 503	0	5 503	3 487
1.5.2.	Long-term advances paid	54	5 503	0	5 503	3 487
C.II.2.	Short-term receivables (lines 58 to 60)	57	2 425 642	-618 766	1 806 876	1 939 811
2.1.	Receivables from trade relations	58	2 002 679	-618 682	1 383 997	1 393 201
2.2.	Receivables from controlled and managed parties	59	225 568	0	225 568	353 183
. 2.4.	Receivables - other (line 62 to 67)	61	197 395	-84	197 311	193 427
2.4.4.	Short-term advances paid	65	6 220	0	6 220	6 270
2. 4.5.	Estimated receivables	66	189 971	0	189 971	185 540
2.4.6.	Sundry receivables	67	1 204	-84	1 120	1 617
C.IV.	Funds (lines 72+73)	71	301 463	0	301 463	317 832
C.IV.1.	Cash	72	2 147	0	2 147	2 615
C.IV.2.	Funds on bank accounts	73	299 316	0	299 316	315 217
D.	Accruals (lines 75+76+77)	74	12 778	0	12 778	16 394
D.1.	Complex accrued expenses	75	11 909	0	11 909	10 771
D.3.	Accrued revenues	77	869	0	869	5 623

Full scope BALANCE SHEET as at 31. 12. 2016

(in whole CZK thousands)

Identif. a	LIABILITIES b		Line c	Bal. in current account. period 1	Balance in past account. period 2
	LIABILITIES TOTAL	(lines 79+101+141) = line 1	78	7 728 451	7 995 403
A.	Equity	(lines 80+84+92+95+99)	79	4 296 491	4 183 892
A. I.	Registered capital	(lines 81 to 83)	80	3 000 000	3 000 000
A. I. 1.	Registered capital		81	3 000 000	3 000 000
A. II.	Premium and capital funds	(lines 85+86)	84	282 810	288 745
A. II. 2.	Capital funds	(lines 87 to 91)	86	282 810	288 745
A. II. 2.1.	Other capital funds		87	230 542	230 550
A. II. 2.2.	Gains or losses from revaluation of assets and liabilities		88	52 268	58 195
A. III.	Funds created from profit	(lines 93+94)	92	251 487	244 877
A. III. 1.	Other reserve funds		93	251 487	244 877
A. IV.	Profit and/or loss from previous years	(line 96 to 98)	95	643 660	511 733
A. IV. 1.	Retained earnings from previous years		96	637 248	511 733
A. IV. 3.	Other profit and/or loss from previous years		98	6 412	0
A. V.	Profit and/or loss of current period Line 1-(80+84+92+95+101+141) = line 55 (profit and loss statement)		99	118 534	138 537
B. + C.	Borrowings	(lines 102+107)	101	3 421 276	3 799 559

Identif. a	LIABILITIES b		Line c	Bal. in current account. period 1	Balance in past account. period 2
C.	Payables	(lines 108+123)	107	3 421 276	3 799 559
C. I.	Long-term payables	line 109+(112 to 119))	108	96 858	82 356
C. I. 3.	Long-term advances received		113	108	108
C. I. 8.	Deferred tax liability		118	96 750	81 253
C. I. 9.	Other payables	(line 120 to 122)	119	0	995
C. I.9.3.	Sundry payables		122	0	995
C. II.	Short-term payables	(line 124+(127 to 133))	123	3 324 418	3 717 203
C. II. 2.	Liabilities to credit institutions		127	1 624 280	2 762 466
C. II. 3.	Short-term advances received		128	1 865	776
C. II. 4.	Payables from trade relations		129	1 198 582	656 397
C. II. 8.	Other payables	(lines 134 to 140)	133	499 691	297 564
C. II. 8.2.	Short-term financial assistance		135	2 542	3 612
C. II. 8.3.	Payables to employees		136	238	169
C. II. 8.4.	Payables to social security and health insurance		137	12 060	12 363
C. II. 8.5.	Due to State – taxes and subsidies		138	90 460	63 714
C. II. 8.6.	Estimated payables		139	369 378	192 461
C. II. 8.7.	Other payables		140	25 013	25 245
D.	Accruals	(lines 142+143)	141	10 684	11 952
D. 1.	Accrued expenses		142	10 428	11 893
D. 2.	Accrued revenues		143	256	59

PROFIT AND LOSS STATEMENT
full scope as at 31. 12. 2016
(in whole thousands of CZK)

Identif.	TEXT		Line	Reality in accounting period	
				current	past
a	b		c	1	2
I.	Revenues from goods and services sold		1	188 538	173 041
II.	Revenues from goods sold		2	11 327 760	13 069 374
A.	Production consumption	(line 4 to 6)	3	12 732 360	14 766 015
A. 1.	Costs of goods sold		4	10 014 853	11 928 410
A. 2.	Material and energy consumption		5	2 428 786	2 537 253
A. 3.	Services		6	288 721	300 352
B.	Increase/decrease of inventories from company's activities		7	742	-2 254
C.	Capitalization		8	-2 402 276	-2 510 987
D.	Personnel expenses	(lines 10+11)	9	569 997	558 921
D. 1.	Wages and salaries		10	428 771	422 670
D. 2.	Social security, health insurance and other expenses	(lines 12+13)	11	141 226	136 251
D. 2. 1.	Social security and health insurance expenses		12	130 872	125 530
D. 2. 2.	Other expenses		13	10 354	10 721
E.	Valuation adjustments in the area of operation	(lines 15+18+19)	14	338 810	176 215
E. 1.	Valuation adjustments to fixed tangible and intangible assets	(lines 16+17)	15	189 816	184 823
E. 1. 1.	Valuation adjustments of fixed intangible and tangible assets - permanent		16	189 816	184 823
E. 2.	Valuation adjustments to inventories		18	159 675	13 212
E. 3.	Valuation adjustments to receivables		19	-10 681	-21 820
III.	Other operation revenues	(line 21 to 23)	20	1 844 966	2 298 664
III. 1.	Revenues from sale of fixed assets		21	22 483	15 752
III. 2.	Revenues from sale of materials		22	19 073	48 512
III. 3.	Other operating revenues		23	1 803 410	2 234 400

Identif.	TEXT		Line	Reality in accounting period	
				current	past
a	b		c	1	2
F.	Other operating expenses	(line 25 to 29)	24	1 895 782	2 332 907
F. 1.	Net book value of fixed assets sold		25	15 240	7 983
F. 2.	Net book value of materials sold		26	22 789	51 799
F. 3.	Taxes and fees		27	17 980	17 497
F. 4.	Operating provisions and accrued complex expenses		28	0	-1 740
F. 5.	Other operating expenses		29	1 839 773	2 257 368
*	Operating profit and/or loss	(line 1 + 2 - 3 - 7 - 8 - 9 - 14 + 20 - 24)	30	225 849	220 262
IV.	Revenues from long-term financial assets - shares	(lines 32+33)	31	35 000	35 000
IV. 1.	Revenues from shares – controlled or managed entities		32	35 000	35 000
VI.	Interest received and similar revenues	(lines 40+41)	39	5 573	10 915
VI.1.	Interest received and similar revenues – controlled or managed entities		40	5 571	10 888
VI.2.	Other interest received and similar revenues		41	2	27
J.	Interest paid and similar expenses	(lines 44+45)	43	35 125	67 528
J. 1.	Interest paid and similar expenses – controlled or managed entities		44	0	3 678
J. 2.	Other interest paid and similar expenses		45	35 125	63 850
VII.	Other financial revenues		46	18 457	59 256
K.	Other financial expenses		47	56 217	101 183
*	Financial profit and/or loss	(line 31-34+35+38+39-42-43+46)	48	-32 312	-63 540
**	Profit and/or loss before tax	(lines 30+48)	49	193 537	156 722
L.	Income tax	(lines 51+52)	50	75 003	18 185
L. 1.	Income tax due		51	59 505	10 678
L. 2.	Income tax deferred (+/-)		52	15 498	7 507
**	Profit and/or loss after tax	(line 49-50)	53	118 534	138 537
***	Profit and/or loss in accounting period	(line 53-54)	55	118 534	138 537
*	Net turnover in accounting period = I.+II.+III.+IV.+V.+VI.+VII.		56	13 420 294	15 646 250

CONSOLIDATED BALANCE SHEET

Minimum required scope of a consolidated report (in whole thousands of CZK)

Identif.	TEXT	Current acc. period as at 31. 12. 2016 1	Last account. period as at 31. 12. 2015 1	Last but one acc. per. as at 31. 12. 2014 1
	ASSETS TOTAL	9 566 809	9 513 699	10 804 710
A.	Receivables for subscribed equity			
B.	Fixed assets	3 062 780	3 239 042	3 377 057
B.I.	Intangible fixed assets	8 201	8 274	7 166
B.II.	Tangible fixed assets	3 005 332	3 185 413	3 326 994
B.III.	Financial fixed assets	0	0	0
B.IV.	„Consolidation difference – positive „+"„ negative „"-"„"	0	0	0
B.V.	Securities in equivalence	49 247	45 355	42 897
C.	Current assets	6 475 171	6 249 122	7 398 529
C.I.	Inventories	3 544 331	3 461 082	3 921 616
C.II.	Long-term receivables	23 661	13 472	4 553
C.III.	Short-term receivables	2 234 673	2 349 113	3 119 442
C.IV.	Financial assets	672 506	425 455	352 918
D.	Other assets – temporary asset accounts	28 858	25 535	29 124

Identif.	TEXT	Current acc. period as at 31. 12. 2016 1	Last account. period as at 31. 12. 2015 1	Last but one acc. per. as at 31. 12. 2014 1
	LIABILITIES TOTAL	9 566 809	9 513 699	10 804 710
A.	Equity	4 298 357	4 071 656	3 974 633
A.I.	Registered capital	3 000 000	3 000 000	3 000 000
A.II.	Capital funds	374 189	377 107	408 519
A.III.	Funds created from profits	269 612	262 803	255 298
A.IV.	Profit and/or loss from previous years	389 954	291 801	181 639
A.V.	Profit and/or loss of current period excl. minority interests	234 608	112 561	101 640
1.	Profit and/or loss of current period (+/-)	230 737	109 972	101 662
2.	Share in profit in equivalent companies (+/-)	3 871	2 589	-22
A.VI.	Consolidation reserve fund	29 994	27 384	27 537
B.	Borrowings	5 215 633	5 374 808	6 750 653
B.I.	Provisions	24 778	16 537	20 451
B.II.	Long-term payables	101 800	87 623	80 827
B.III.	Short-term payables	2 307 645	1 372 201	2 442 452
B.IV.	Bank loans and assistance	2 781 410	3 898 447	4 206 923
C.	Other liabilities – temporary liabilities accounts	12 132	14 302	21 276
D.	Minority equity	40 687	52 933	58 149
D.I.	Minority registered capital	900	900	900
D.II.	Minority capital funds	0		0
D.III.	Minority profit funds, incl. retained earnings from previous years	37 033	42 249	46 085
D.IV.	Minority profit and/or loss of current period	2 754	9 784	11 164

CONSOLIDATED PROFIT AND LOSS STATEMENT

Minimum required scope of a consolidated report (in whole thousands of CZK)

Identif.	TEXT	Reality in accounting period		
		current as at 31. 12. 2016	last as at 31. 12. 2015	last but one as at 21.12. 2014
		1	1	1
I.	Revenues from products sold	13 782 785	16 110 737	17 305 434
A.	Cost of goods sold	12 140 295	14 696 135	15 780 895
+	Business margin	1 642 490	1 414 602	1 524 539
II.	Production	4 264 028	4 468 969	4 874 898
B.	Production consumption	4 377 497	4 584 401	5 005 652
+	Added value	1 529 021	1 299 170	1 393 785
C.	Personnel expenses	723 797	700 172	701 556
E.	Depreciation of tangible and intangible fixed assets	238 706	235 302	237 031
	„Depreciation (clearing) of consolidation difference „"+"„/ „"-"„	0	0	0
	Clearing of consolidation difference	0	0	0
G. + H.	Additions to operating provisions and adjustments and accrued operating expenses	233 141	44 582	154 221
III.+ VI.- VII.	Other operating revenues	2 497 540	2 844 566	2 943 975
D.+ F.+I.-J.	Other operating expenses	2 401 019	2 888 358	2 971 581
*	Consolidated operating profit and/or loss	429 898	275 322	273 371
VIII+IX+X+XI+XII+ +XIII+XIV-XV	Financial revenues	22 375	66 475	61 743
K+L+M+N+ +O+R-P	Financial expenses	116 235	204 809	220 485

Identif.	TEXT	Reality in accounting period		
		current as at 31. 12. 2016	last as at 31. 12. 2015	last but one as at 21.12. 2014
		1	1	1
*	Consolidated profit and/or loss from financial operations	-93 860	-138 334	-158 742
R.1.	Income tax on ordinary activities - due	98 749	19 154	13 705
R.2.	Income tax on ordinary activities - deferred	3 798	-1 922	-11 902
**	Consolidated profit and/or loss from ordinary activities	233 491	119 756	112 826
***	Consolidated profit and/or loss for accounting period, excl. share in equivalent companies	233 491	119 756	112 826
from that	Profit and/or loss for current period, excl. minority interests	230 737	109 972	101 662
	Minority profit and/or loss for current period	2 754	9 784	11 164
	Share in profit in equivalent companies	3 871	2 589	-22
****	Consolidated profit and/or loss for accounting period	234 608	112 561	101 640

INDEPENDENT AUDITOR'S REPORT

about audit of the Company's consolidated financial statements

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Praha 4
140 00

Independent Auditor's Report

To the Shareholders of Ferona, a.s.

Opinion

We have audited the accompanying consolidated financial statements of Ferona, a.s., with its headquarters at Havlíčkova 1043/11, Praha 1, Czech Republic, IC (Registration Number) 26440181 (hereafter the "Company") and its subsidiaries (hereafter also the "Group") prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31 December 2016, the income statement, statement of changes in equity and statement of cash flows for the period of 01/01/2016 to 31/12/2016 and notes to these consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Ferona a.s. Group as at 31 December 2016, of its expenses and revenues, its financial performance and its cash flows for the period of 01/01/2016 to 31/12/2016 in accordance with Czech accounting regulations.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under these regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Consolidated Annual Report

In compliance with Section 2 (b) of the Act on Auditors, the other information comprises the information included in the Consolidated Annual Report other than the consolidated and individual financial statements and auditor's report thereon. The Board of Directors is responsible for this other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

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140 00

materially inconsistent with the consolidated or individual financial statements or our knowledge of the group obtained from the audit of the consolidated or individual financial statements or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with the applicable laws and regulations, in particular, whether the other information complies with the laws and regulations in terms of formal requirements and procedures for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated or individual financial statements is, in all material respects, consistent with the consolidated or individual financial statements; and

- The other information is prepared in compliance with the applicable laws and regulations.

In addition, our responsibility is to report, based on our knowledge and understanding of the Group obtained from the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Czech accounting regulations and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing in the notes to the consolidated financial statements, as applicable, matters related to the going concern and using the going concern basis of accounting in preparing the consolidated financial statements unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement of the consolidated financial statements when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors in the notes to the consolidated financial statements.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions concerning the Group's ability to continue as a going concern are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague, on 24 April 2017

Auditing company:	Statutory auditor:
BDO Audit s. r. o.	
BDO Audit s. r. o.	Eva Knyplová
Certificate No. 018	Certificate No. 1521